

VZCZCXYZ0000
RR RUEHWEB

DE RUEHNC #0929/01 3301534
ZNY CCCCC ZZH
R 251534Z NOV 08
FM AMEMBASSY NICOSIA
TO RUEHC/SECSTATE WASHDC 9363
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEAIIA/CIA WASHDC
RUCNDT/USMISSION USUN NEW YORK 1266
RUEHBS/USEU BRUSSELS
RHEFNSC/NSC WASHDC

C O N F I D E N T I A L NICOSIA 000929

SIPDIS

DEPT FOR EUR/SE

E.O. 12958: DECL: 11/24/2018
TAGS: [PREL](#) [PGOV](#) [TR](#) [CY](#)
SUBJECT: CYPRUS: "TRNC PM" WARNS OF MID-2009 EARLY ELECTIONS

REF: A. NICOSIA 558
[1](#)B. NICOSIA 650
[1](#)C. NICOSIA 621
[1](#)D. NICOSIA 675

Classified By: Ambassador Franck C. Urbancic for reasons 1.4(b) and (d)

1.(C) SUMMARY: "TRNC PM" and "governing" Turkish Republican Party (CTP) leader Ferdi Soyer on November 21 informed the Ambassador he might be forced to call early elections in mid-2009 absent extraordinary budget support from Turkey. The "PM" was awaiting the return of Turkish Cypriot leader Mehmet Ali Talat from Ankara, who had traveled there in search of a bailout, but hinted an early vote was the only realistic option for his cash-strapped and unpopular administration. Erdogan supported the CTP-led "government," Soyer claimed, but others in AKP argued that another party might better reform the bloated T/C "state" sector. Soyer feared that early elections would destabilize the present UN-brokered process and energize anti-solution, rightist parties. Turning to the settlement talks, Soyer assured that Ankara had given Talat a green light to negotiate freely, but admitted that Turkish Cypriots had to respect mainland redlines such as continuation of security guarantees. The Turkish military also backed the settlement process, he asserted. END SUMMARY.

"We cannot get that much money"

[1](#)2. (C) "TRNC PM" Ferdi Soyer told the Ambassador on November 21 that his nearly bankrupt administration, which already consumed 400 million USD in Turkish assistance annually (Refs C, D), faced grave financial shortfalls. It could not generate sufficient tax revenues in 2009 to meet budgetary needs, he warned, since domestic economic conditions would continue to deteriorate. Were Turkey not to cough up extra cash, he saw no alternative for his unpopular government but to call for elections by mid-2009 (elections are currently scheduled for February 2010). He was awaiting Talat's return from Ankara, but doubted the "President" would return flush with funds. Soyer himself had failed to secure a low-interest, long-term 100 million-dollar loan from the Turkish parastatal Ziraat Bank during a November 4-6 trip to Ankara (Note: Turkish "credits" to the "TRNC" are almost never repaid.)

Paying Paul to make it to early elections

[1](#)3. (C) Preserving "public sector" employment and avoiding clashes with the north's powerful unions was politically vital to Soyer. He had told Ankara (which consistently has pressed the Turkish Cypriots to reform the bloated state sector) that he would cease any fiscal and structural reforms in 2009. Absent an infusion of Turkish cash, the ideal

scenario was to go early elections, "without cutting personnel," in hopes of limiting electoral losses for the CTP. Soyer sketched out a Ponzi scheme under which he hoped to obtain all Turkish 2009-10 aid in January, then immediately pay state employees and retirees the COLA differential for the next six months. (Note: By doing this, he would agree to Ankara's demand to make COLA payments twice a year vice the present once every two months, while also flooding the economy with needed cash. He also might avoid a clash with powerful public sector unions, which had stymied a July 2009 effort to reform COLA payments with a general strike (Reftels).) Soyer also hoped to pay the bonus "13th salary" for 2009 -- which Ankara also wants to ax -- out of the 2010 budget.

"Erdogan understands, others don't"

¶4. (C) Soyer said that Turkish PM Erdogan understood the importance of a pro-solution CTP "government" to the negotiations. Others in the AKP did not argued that "another government" (presumably led by the nationalist, right-wing National Unity Party-UBP) might do a better at "running things" and tackling urgent structural reforms in the "state" sector, the biggest employer in the north. Soyer voiced worry that UBP, which does not support the present UN-brokered process and is running neck-to-neck in polls with CTP, would sabotage Talat's effort at the negotiating table in an ugly example of "government" cohabitation.

"We must support things Turkey wants"

¶5. (C) In response to a question from the Ambassador, Soyer said that Ankara had given the lead in the negotiations to Talat, but that Turkish Cypriots also had "to support things Turkey wants." On major issues, such as the continuation of guarantees, Turkish and T/C opinion coincided. On other less existential issues, Soyer argued, the Turkish Cypriots often were able to prevail. For example, he said that Ankara was against the start of the 2006 UN-brokered "Gambari/July 8 Process," but Talat was able to exert his will. Soyer also said that at November 15 "TRNC Independence" celebrations, Turkish Naval Commander Metin Atac voiced support for the present process, provided Turkish guarantees continued.

Comment

¶6. (C) Since PM Erdogan's visit to the island in July, we've heard talk of early elections in the north owing to Turkey's refusal to bail out the spendthrift "TRNC government." Erdogan's then-refusal to offer additional aid, at least not without painful reforms, unsettled our "pro-solution" contacts, but most believed Turkey would bail them out in the end. If the AKP-led government did not, they argued, Turkey clearly was not interested in a solution. From our perch, it seems that Turkey, in drawing a tighter financial line, truly wants to improve the functioning of the bloated, inefficient "state apparatus" in the north, not to scuttle the settlement talks. Some in Ankara may also believe a harder-line T/C "government" can wring more concessions out of the Greek Cypriots. Nevertheless, the possible fall of Soyer's pro-solution "government" due to a lack of Turkish aid -- after decades of open spigots -- makes rapid progress on the settlement track in early 2009 even more important.

Urbancic